

**UNITED STATES DEPARTMENT OF AGRICULTURE**

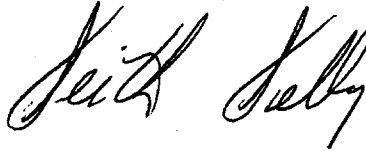
Farm Service Agency  
Washington, DC 20250

**Notice FC-146**

**For:** State and County Offices

**Delegating Loan Approval and Servicing Authorities to FSA Employees**

**Approved by:** Administrator



**1 Overview**

**A  
Background**

The decision to approve or reject a loan request has broad implications for the Agency and the loan applicant. These decisions affect applicants' lives, and impact Agency risk exposure and achievement of program objectives.

Delegation of authority to an employee without adequate training and experience places the employee at risk of violating regulations and statutes. Improper approval or rejection of a loan or servicing request can have a devastating effect on applicants and borrowers, and result in significant loss or misuse of scarce Federal financial resources.

Approving loans and taking servicing actions must be delegated to employees who meet experience and training requirements according to this notice.

**B  
Purpose**

This notice provides criteria:

- for granting loan approval and servicing authority to employees who have received authority before October 1, 1995
- that must be met for those individuals who received authority between October 1, 1995, and the date of this notice, to continue to approve and service loans
- that must be met to receive approval authority after the date of this notice.

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**Disposal Date**

April 1, 1998

**Distribution**

State Offices; State Offices relay to County Offices

9-23-97

## 1 Overview (Continued)

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### C

#### Applicability

This notice applies to the following:

- direct farm ownership and operating loans
  - emergency loans
  - guaranteed farm ownership and operating loans
  - servicing actions under FmHA Instruction 1951-S for all loan types
  - servicing actions on guaranteed loans
  - subordinations, partial releases, and consents.
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## 2 SED Action

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### A

#### Those Having Authority on or Before October 1, 1995

Employees who had approval authority on or before October 1, 1995, will continue to have the same approval authority, unless otherwise revoked by SED according to FmHA Instruction 1901-A.

**Note:** This includes former Ag Credit Managers who had approval authority and are now CED's.

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### B

#### Those Given Authority Between October 1, 1995, and Date of This Notice

Both Federal and non-Federal employees who received loan approval or servicing authority between October 1, 1995, and the date of this notice, shall fulfill the following criteria within 120 calendar days of the date of this notice. SED's shall suspend the approval authority of those employees not completing this criteria within this timeframe. This authority may not be reinstated until all aspects of the criteria have been successfully completed. Individuals who successfully completed the FmHA Assistant County Supervisor Program training in St. Louis will be exempt from meeting the first 2 criteria that follow.

- Must have successfully completed a Credit and Financial Analysis Training (CFAT) course developed by the National Office.
  - Must have passed the Credit test currently being developed by the National Office.
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## 2 SED Action (Continued)

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### B

**Those Given  
Authority  
Between  
October 1, 1995,  
and Date of  
This Notice  
(Continued)**

- Must have submitted a minimum of 5 loan dockets, which meet a credit quality level set by SED and Agriculture Credit Director (ACD). The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans. This does not include youth loans.

**Note:** ACD's will continue to monitor the loan making and servicing activity of these employees to ensure that loan making and servicing actions meet State credit quality standards.

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### C

**Ag Credit  
Officers (ACO's)  
Hired Between  
October 1, 1995,  
and Notice  
PM-1967 Being  
Issued**

To receive or maintain loan approval authority, Federal and non-Federal ACO's who were hired after October 1, 1995, but are not part of the 300 new training positions authorized by Notice PM-1967, must meet the following criteria:

- attend a week long orientation training session in October at a site to be named in a future notice
- successfully complete the advanced CFAT course
- pass the 4 program area tests that are part of the Ag Credit Officer Training (ACOT) 34 module training package
- pass the final credit test developed by the National Office
- submit a minimum of 5 loan dockets, which meet a credit quality level set by SED and ACD. The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans. Youth loans do not count toward the 5 docket requirement.

Once these conditions are met, approval authority may then be granted. ACD's will continue to monitor the loan making and servicing activity of these employees to ensure that loan making and servicing actions meet State credit quality standards.

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## Notice FC-146

### 2 SED Action (Continued)

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#### D

#### Receiving Approval Authority After Date of Notice (Continued)

- other Federal employees who will be given loan approval and loan servicing authority outside of the ACO program:
- must pass the final Credit test currently being developed by the National Office
- must successfully complete a CFAT course developed by the National Office. There are 10 Financial Analysis courses presently scheduled to meet this requirement as stated in Notice FC-131, subparagraph 6 D.

**Note:** If an employee does not successfully meet these first 2 criteria, IDP's will be developed using the ACOT modules.

- must submit a minimum of 3 independently prepared loan dockets for evaluation, which meet a credit quality level set by SED and ACD
- must submit their review of 4 dockets completed by credit employees they supervise. The dockets will be evaluated by ACD to determine the reviewer's oversight proficiency.

**Note:** The files submitted for review must be of sufficient complexity to reflect the ability of the approval official to make good credit decisions and analyze an applicant/borrower's operation. In addition, 3 of the dockets must be for term loans, 1 docket must be an FmHA 1951-S servicing case and 1 docket must be for a guaranteed term loan. This does not include youth loans.

They must be able to pass the final Credit test and the CFAT class before loan approval authority can be granted.

**Note:** Once these conditions are met, the employee, outside the ACO program, may be given loan approval authority. ACD's will continue to monitor the loan making and servicing activities of these employees and will conduct post reviews to ensure that loan making and servicing actions meet State credit quality standards.

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## 2 SED Action (Continued)

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### E

#### **Establishing Credit Quality Review Process**

SED shall work with ACD to establish the method for completing ongoing credit quality post reviews. As a minimum, this review will follow the National Internal Review (NIR) credit quality standards and any additional standards established by SED and ACD. These reviews will establish the maintenance of loan approval authority as stated in Notice FC-131, subparagraph 7 A. An acceptable level of performance by the loan approval official will be a score of at least 90 percent compliance based on the applicable NIR questions.

**Note:** SED should take into consideration available staff and resources when developing the review process. All individuals completing credit quality reviews must have loan approval authority and a good background in loan making and servicing. SED and ACD may consider establishing a credit quality team in the State Office or using existing underwriting staffs, if resources are available. They may also want to consider establishing the process on a district or Ag Credit Team basis.

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## Notice FC-146

### 3 Other Authority

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#### A

##### **Routine Correspondence, Releases, Continuation Statements, Chattel Appraisals, and Inspections**

The authority to sign routine correspondence, approve releases, sign continuation statements, conduct chattel appraisals, and inspections, etc., are not altered by this notice.

Approval Official may continue to delegate authority for these purposes according to FmHA Instruction 1962-A, Section 1962.3 (a).

SED and ACD may establish policies to delegate, as outlined in Notice AO-1140, Exhibit 1, authorities to the maximum extent possible consistent with individual program requirements. These delegations must be given in writing and may be extended to any employee determined by them to be qualified. This includes, but is not limited to, Agriculture Credit Officers, Program Assistants, County Office Technicians, CED's, DD's, etc.

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#### B

##### **Authority to Service Direct and Guaranteed Loans**

In addition, CED's may be given authority to service direct and guaranteed loans. To receive this authority, CED's must complete the ACO training modules on loan making and servicing and submit 2 loan servicing dockets that meet a credit quality level set by SED and ACD.

Once these requirements have been met, loan servicing authority may be granted.

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### 4 Contact

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#### A

##### **National Office Contact**

State Offices may direct questions to LMD through the Area Office.

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